
By: Chairman, Finance Committee

Introduced and read first time: February 7, 1996

Assigned to: Rules

Re-referred to: Finance, February 14, 1996

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 22, 1996

CHAPTER ____

1 AN ACT concerning

2 **Nonprofit Health Service Plans - Amendment of Provider Contracts**

3 FOR the purpose of eliminating a ~~requirement that certain nonprofit health service plans~~
4 ~~submit proposed amendments to, and obtain the approval of, the Insurance~~
5 ~~Commissioner before amending certain contracts with hospitals, physicians,~~
6 ~~chiropractors, chiropractors, pharmacists, dentists, psychologists, or optometrists;~~
7 ~~making a certain stylistic change; and generally relating to the elimination of certain~~
8 ~~requirements with respect to the amendment of certain provision requiring~~
9 ~~nonprofit health service plans to submit for approval to the Insurance~~
10 ~~Commissioner the terms and provisions of the contracts executed with certain~~
11 ~~health care providers; and generally relating to contracts by certain nonprofit health~~
12 ~~service plans.~~

13 BY repealing and reenacting, with amendments,
14 Article 48A - Insurance Code
15 Section 356
16 Annotated Code of Maryland
17 (1994 Replacement Volume and 1995 Supplement)

18 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
19 MARYLAND, That the Laws of Maryland read as follows:

20 **Article 48A - Insurance Code**

21 356.

22 (a) No corporation subject to the provisions of this subtitle shall amend its
23 certificate of incorporation, its bylaws, [the terms and provisions of contracts executed or

2

1 to be executed with hospitals, physicians, chiropractors, pharmacists,
 2 dentists, psychologists, or optometrists,] and the terms and provisions of contracts issued,
 3 or proposed to be issued, to subscribers of the plan, until such proposed amendments
 4 have been first submitted to, and approved by, the Insurance Commissioner, and payment
 5 made of the fees provided for by § 41 of this article; nor shall any change be made in the
 6 table of rates charged, or proposed to be charged, to subscribers for any form of contract
 7 issued or to be issued for hospital, medical, chiropodial, chiropractic, pharmaceutical,
 8 dental, psychological, or optometric care until such proposed change has been submitted
 9 to, and approved by, the Insurance Commissioner. Each amendment shall be on file for a
 10 waiting period of 60 working days before it becomes effective. When in the
 11 Commissioner's opinion an amendment is not accompanied by the information needed to
 12 support it and the Commissioner does not have sufficient information to determine
 13 whether the filing meets the requirements of this section, the nonprofit health service
 14 plan shall be required to furnish the needed information and in this event the waiting
 15 period shall be suspended and shall recommence as of the date the information is
 16 furnished. Upon written application by the nonprofit health service plan, the
 17 Commissioner may authorize an amendment which he has reviewed to become effective
 18 before the expiration of the waiting period or any extension thereof or at any later date.
 19 A filing shall be deemed approved unless disapproved by the Commissioner within the
 20 waiting period or any extension thereof. The Commissioner shall disapprove or modify
 21 the proposed change or changes if the table of rates appears by statistical analysis and
 22 reasonable assumptions to be excessive in relation to benefits, or if the form contains
 23 provisions which are unjust, unfair, inequitable, inadequate, misleading, deceptive, or
 24 encourage misrepresentations of the coverage. In determining whether to disapprove or
 25 modify the form or table of rates, the Commissioner shall give due consideration to past
 26 and prospective loss experience within and outside this State, to underwriting practice
 27 and judgment to the extent appropriate, to a reasonable margin for reserve needs, to past
 28 and prospective expenses both countrywide and those specifically applicable to this State,
 29 and to all other relevant factors within and outside this State.

30 Upon the adoption of any such amendment or change, following its approval by the
 31 Insurance Commissioner, such corporation shall file a copy thereof with the Insurance
 32 Commissioner, duly certified to by at least two (2) of the executive officers of such
 33 corporation.

34 (b) The Commissioner is empowered at any time to require any nonprofit health
 35 service plan in this State to demonstrate that its filings ~~REQUIRED UNDER SUBSECTION~~
 36 ~~(A) OF THIS SECTION~~, including the terms and provisions of its contracts and its table of
 37 rates and its method for setting rates, are in compliance with subsection (a) ~~hereof~~ ~~OF~~
 38 ~~THIS SECTION~~, notwithstanding that the filings then in effect had previously been
 39 approved by the Commissioner.

40 (c) If at any time subsequent to the applicable review period provided for in
 41 subsection (a) of this section, the Commissioner finds that a filing does not meet the
 42 requirements of this section, the Commissioner shall, after a hearing held upon not less
 43 than 10 days' written notice to the filer, specifying the matters to be considered at the
 44 hearing, issue an order to the filer specifying in what respects the Commissioner finds
 45 that the filing fails to meet the requirements of this section, and stating when, within a
 46 reasonable period thereafter, the filing shall be no longer effective. The order shall not

SENATE BILL 701

3

1 affect any contract or policy made or issued prior to the expiration of the period set forth
2 in the order. The order shall not directly affect any existing contractor policy between a
3 nonprofit health service plan and a participant, established pursuant to a collective
4 bargaining procedure.

5 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
6 October 1, 1996.